

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

FEDEX CORPORATE SERVICES,)	
INC.,)	
)	
PLAINTIFF,)	
)	DOCKET NO. 1:13-CV-0275-AT
-VS-)	
)	
ECLIPSE IP, LLC,)	
)	
DEFENDANT.)	

TRANSCRIPT OF MOTION PROCEEDINGS
BEFORE THE HONORABLE AMY TOTENBERG
UNITED STATES DISTRICT COURT JUDGE
WEDNESDAY, MAY 22, 2013

APPEARANCES:

ON BEHALF OF THE PLAINTIFF:

JASON W. MELVIN, ESQ.
MATTHEW T. NESBITT, ESQ.
JEFFREY A. BERKOWITZ, ESQ.

ON BEHALF OF THE DEFENDANT:

ERIC S. FREDRICKSON, ESQ.
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ELISE SMITH EVANS, RMR, CRR
OFFICIAL COURT REPORTER
UNITED STATES DISTRICT COURT
ATLANTA, GEORGIA

1 (Wednesday, May 22, 2013; Atlanta, Georgia.)

2 THE COURT: Good afternoon. Please have a seat.

3 We're here on the matter of FedEx Corporation Services,
4 Inc. versus Eclipse, case number 1:13-cv-275.

5 Counsel, would you be so kind as to introduce
6 yourselves?

7 MR. MELVIN: Yes, Your Honor. Jason Melvin for FedEx
8 Corporate Services.

9 THE COURT: And --

10 MR. NESBITT: Scott Nesbitt, FedEx.

11 MR. BERKOWITZ: And Jeff Berkowitz also.

12 THE COURT: Great. Good to meet you.

13 MR. FREDRICKSON: Eric Fredrickson for Eclipse IP, LLC.

14 MR. HARMAN: Matt Harman for Eclipse.

15 THE COURT: Good. All right. Well, we've had some
16 correspondence with you, or Mr. Baumrind has, regarding the
17 question of a covenant and I gather you're not any closer on
18 that?

19 MR. MELVIN: That's right, Your Honor.

20 THE COURT: All right. So that's not a -- means we can
21 resolve this matter at this point; is that right?

22 MR. FREDRICKSON: I believe so.

23 THE COURT: All right. Okay.

24 All right. Mr. Melvin, are you going to argue, give
25 some oral argument or --

1 MR. MELVIN: I am on behalf of FedEx, Your Honor.

2 THE COURT: All right. Go ahead.

3 MR. MELVIN: Okay. May it please the Court, Your
4 Honor, the accused technology here is familiar to most of us, and
5 we've seen it in the recent correspondence between Eclipse,
6 FedEx, and Your Honor. What happens is when people purchase
7 things online, of course, they expect to receive information
8 about their purchase in an e-mail commonly. And FedEx' retail
9 shipping customers send those e-mails by working with FedEx
10 Information Services. And FedEx generates a link, generally a
11 web link, that the retail customers then put into an e-mail and
12 send to the end users. So, I just wanted at the outset to make
13 sure that we understand those e-mails are what FedEx' customers
14 and FedEx understand Eclipse to be accusing. And that is, I
15 believe, what the dispute is about regarding the scope of the
16 covenants, whether or not it covers those, such e-mails.

17 And at times in the briefing, Eclipse seems to
18 challenge whether there's a fundamental basis for jurisdiction
19 here regardless of the covenant. And I would submit that that is
20 beyond dispute given the federal circuit in other courts, cases
21 on customer indemnification liability giving rise to declaratory
22 judgment jurisdiction. We've seen in the Arris case, which as
23 Eclipse points out was not decided on this issue, but nonetheless
24 pointed out that customer indemnification liability is a valid
25 grounds for declaratory judgment jurisdiction.

1 And Arris cited two other cases that are relevant, one
2 is *ABB vs. Cooper Industries*. In that case a licensed party was
3 permitted to defend -- file a declaratory judgment suit on behalf
4 of its contract manufacturer based on this idea of
5 indemnification liability.

6 I think another case that is instructive for the Court
7 is Microsoft -- *Microchip Technology vs. Chamberlain Group*. In
8 that case the federal circuit found there was no jurisdiction in
9 part because Microchip had not established the required -- the
10 required legal interest such as the existence of an indemnity
11 agreement.

12 So -- another problem with the dispute before the
13 Court, I believe, is that in 2007, the Supreme Court in *MedImmune*
14 changed the analysis for a declaratory judgment jurisdiction.
15 And, so, much of the case -- case law that Eclipse relies on
16 comes from the pre-MedImmune test, which of course was whether or
17 not the plaintiff had a reasonable apprehension of suit. After
18 MedImmune, we know that now the question is whether there's a
19 substantial controversy between the parties having adverse legal
20 interests of sufficient immediacy and reality.

21 So, it's perhaps unsurprising that pre-MedImmune,
22 customer indemnification liability was a more difficult basis for
23 declaratory judgment jurisdiction, but of course that has now
24 changed. And I believe there are three key facts to this case
25 that establish beyond a doubt that there is jurisdiction here.

1 First is that there are actual suits by Eclipse against FedEx
2 customers for those customers' use of FedEx technology. We've
3 seen actual suits that have been filed, we've seen additional
4 filings since this case was filed by FedEx, and threats made by
5 Eclipse.

6 The second fact is that FedEx has service agreements
7 with many of its clients, it's large retail shipping clients, and
8 those service agreements often contain indemnification and
9 warranty clauses that are directed at patent infringement and
10 create a legal relationship between FedEx and its customers.

11 And the third fact that I believe is critical here is
12 that some of the customers with those actual agreements have come
13 to FedEx as a result of Eclipse's suits or threats of suit and
14 have requested indemnification based on Eclipse's actions.

15 So, looking at the change in law for MedImmune and
16 looking at those three critical facts, it's very straightforward
17 to distinguish all of the cases that Eclipse relies on for its
18 contention that there is no jurisdiction here. Those cases
19 either did not involve an indemnification agreement, such as the
20 Creative Compounds case, or didn't involve actual customers, such
21 as the Asahi Glass case, or no infringing activity, which is --
22 you know, happened in the Unisys case. I mean, every case lacks
23 one of the three critical facts here.

24 So, not only has the federal circuit established that
25 there is -- there is liability, you know, I think that the recent

1 e-mail correspondence between the parties and the Court has
2 somewhat crystallized what the dispute is about. And we've
3 identified, you know, that there are District Court cases in
4 addition that have found liability on exactly this ground. As an
5 example, I would submit *Financial Fusion vs. Ablaise* is a case
6 from the Northern District of California in 2006. And I quote
7 from that case, "FFI has alleged the existence of an indemnity
8 agreement between itself and its customers. This allegation is
9 sufficient to satisfy the reasonable apprehension prong."

10 Now, that was a pre-MedImmune case under the former
11 standard, but even under the change in law, declaratory judgment
12 jurisdiction is easier to find now.

13 THE COURT: All right.

14 MR. MELVIN: So, Eclipse has dealt with this problem,
15 the fact that there really is jurisdiction here, by providing a
16 covenant. And there's no dispute between the parties that
17 Eclipse's covenant to FedEx eliminates the dispute between FedEx
18 and Eclipse. The problem, however, is that Eclipse's covenant to
19 FedEx' customers is vacuous. It provides absolutely no
20 protection for the actual actions that are at issue here, the
21 aforementioned e-mails that contain links that the customers
22 received from FedEx.

23 So, I think perhaps what's important is looking at what
24 the covenant covers and what it doesn't cover and looking at the
25 case law, I -- you know, I've identified another case from the

1 District Court. This case is *MetroPCS Communications vs. LEAP*
2 *Wireless*. And in that case, a covenant that did not include the
3 customers of the plaintiff was insufficient, according to the
4 court, and the court -- the court's language was because the
5 covenant not to sue would not completely insulate MetroPCS from
6 suit arising out of a possible infringement of the patent, the
7 '183 patent, by an agent, dealer, customer or indemnitee, the
8 court concludes that -- in the context of this case that the
9 covenant does not divest the court of jurisdiction.

10 Now, in that case there was no threat against a
11 customer and so the court ultimately found no jurisdiction. But
12 here, as I mentioned, we do have threats. We do have agreements.
13 And our customers understand the agreements to implicate -- to be
14 implicated by Eclipse's threats and suits.

15 As the federal circuit stated in *Revolution Eyewear vs.*
16 *Aspex Eyewear*, whether a covenant not to sue will divest the
17 trial court of jurisdiction depends on what is covered by the
18 covenant. And as the recent correspondence, I believe, has sort
19 of pushed to the surface, the covenant here is inadequate.

20 Now, I don't think there's any doubt that Eclipse could
21 provide a covenant to divest the Court of jurisdiction, and we've
22 seen that in the recent *Already vs. Nike* case by the Supreme
23 Court. The covenant provided by Nike in that case was absolute
24 and complete. It covered all of -- all of Already's customers
25 and it covered any possible cause of action, and it was

1 essentially without any restriction.

2 I think another instructive comparison, as we pointed
3 out in our briefs, Your Honor, is the covenant that was adopted
4 by UPS and Eclipse in the earlier suit, declaratory judgment
5 suit, in this same district. In that case, Eclipse surrendered
6 its claims against any customer of UPS to the extent of the
7 customer's use of UPS technology. And that phrase is critical.
8 To the extent of is a very different phrase than the -- the
9 current covenant where Eclipse is intending to only protect
10 customers that use FedEx technology alone without any other
11 modification or addition. And I think that does not recognize
12 the reality of how the customers use FedEx technology.

13 THE COURT: What would be the other technology that you
14 would be using?

15 MR. MELVIN: Oh, for example, e-mail. The customers
16 receive a link, which is -- essentially it's just information.

17 THE COURT: Right.

18 MR. MELVIN: And they put it in an e-mail, which is a
19 commodity technology. I mean, we're not talking about some
20 innovative other system that's added to this.

21 THE COURT: I see.

22 MR. MELVIN: You know, it's just that there are other
23 technologies involved in what the customer ultimately delivers to
24 the end user. And --

25 THE COURT: Is there anything else beyond the e-mail

1 that -- that -- because you all surely have had some actual
2 conversation and I -- about this. So, is there any -- I guess,
3 should the Court be aware that there's something else other than
4 e-mail that is really driving the -- the differences in the -- as
5 to your positions on the covenant?

6 MR. MELVIN: I cannot say how broad Eclipse's
7 accusations of patent infringement have gone or will go. I know
8 that the statements in their complaints that we, for example,
9 attached as exhibits to our complaint are incredibly broad and
10 could cover many different uses of FedEx information technology.
11 But as our customers use those technologies, they largely involve
12 some -- some modification or addition beyond what FedEx provides.

13 I will note that FedEx' claim -- excuse me, Your Honor,
14 Eclipse's claims here almost invariably -- well, I believe in
15 fact do invariably include a limitation roughly on the order of
16 communicating a notification or issuing a notification
17 communication or initiating a notification communication. It can
18 take several forms. But among the five patents, I believe they
19 all contain that limitation. And that is exactly the -- the
20 e-mail or, you know, it could be a text message or any sort of --
21 I mean, I suppose there are various messaging technologies that
22 might all apply.

23 THE COURT: Uh-huh. Do you -- let me just -- so I make
24 sure I understand this case just factually, and this may seem
25 extremely basic, but let me make sure I understand. Is there --

1 are you currently -- is FedEx currently paying some type of
2 licensing fee to Eclipse? What is your current -- is there any
3 relationship between FedEx and Eclipse now just as to your usage?
4 You send out a link and you're using their software for that
5 link, or not? This is your --

6 MR. MELVIN: No, Your Honor. FedEx uses its own
7 software that it developed for a long time. That's correct.

8 THE COURT: All right.

9 MR. MELVIN: As far as I'm aware of, Eclipse does not
10 provide any sort of software or actual service. They merely
11 assert patent rights.

12 THE COURT: All right. But are they asserting patent
13 rights in the actual notification system that you are using? I'm
14 trying to understand -- it's extremely basic and it's really like
15 we're -- I'm -- it may be -- just seem very foolish to you
16 because you all are --

17 MR. MELVIN: No, Your Honor.

18 THE COURT: -- so I can understand this. But they're
19 challenging the fact that you -- that you sent this information
20 to their customers and the customers may in fact then basically
21 appropriate it, the -- the information system that they're using
22 or the fruits of it. If their claim is that you are infringing,
23 why isn't it just simply directly against you, against your
24 client?

25 MR. MELVIN: Eclipse's claims have a number of

1 limitations. Some limitations, for example, take the form of
2 monitoring travel data. So, that is a limitation that FedEx
3 believes is performed entirely within the FedEx system. Okay?

4 Now, another aspect of Eclipse's claims is the
5 notifications that are either triggered by that travel data or
6 include information about the travel data, they take a variety of
7 forms. Those notifications may be sent by FedEx. Such
8 notifications are no longer at issue because Eclipse has provided
9 a covenant to FedEx.

10 THE COURT: That's what I'm trying -- so you have a
11 covenant on that part of it?

12 MR. MELVIN: The parties are in agreement that that is
13 correct.

14 THE COURT: All right. All right.

15 MR. MELVIN: And we no longer contest that the Court
16 has jurisdiction over FedEx' isolated use of Eclipse's claims,
17 whatever that use theoretically could be. That's right.

18 But FedEx' customers perform certain aspects of the
19 systems alleged by Eclipse -- you know, asserted by Eclipse. And
20 FedEx performs other aspects of those systems. And that's the
21 activity that Eclipse is targeting. And Eclipse takes the view
22 that its covenant need only cover FedEx' actions alone, not any
23 actions by the customer.

24 And it's FedEx' position, Your Honor, that the law
25 provides no basis for that distinction. Either Eclipse's

1 covenant eliminates the possibility of a legal dispute between
2 FedEx and its customers; in that case, there is no jurisdiction.
3 Or, the covenant does in fact go that far and there is
4 jurisdiction.

5 THE COURT: All right.

6 MR. MELVIN: And thus far the covenant has not gone
7 that far.

8 I think that Eclipse looks at covenant case law and --
9 you know, for instance, the seminal case Super Sack in the
10 federal circuit, it's true that covenants have limits to how far
11 they must go to deprive the court of jurisdiction. In Super
12 Sack, the issue was future products that did not exist at the
13 time of the covenant. And, so, the court held that such future
14 nonexistent products need not be covered by a covenant.

15 That's not the dispute here. The dispute here is about
16 actual activities by FedEx' customers.

17 I mean, I think that, you know, we've gone -- we have
18 gotten to the point where we've given Eclipse an example of what
19 we believe would be enough, and they've refused to do so because
20 Eclipse would like to maintain the ability to sue FedEx'
21 customers for the activities that FedEx' customers are currently
22 performing. And -- and that just -- you know, it simply -- maybe
23 I should -- with Your Honor's permission, in the Revolution case,
24 a quote comes to mind. It says, "In contrast, Revolution offered
25 no covenant on the current products stating it is in fact

1 obligated to repudiate suit for future infringement. We agree
2 that such is its right. However, by retaining that right,
3 Revolution preserves this controversy at a level of sufficient
4 immediacy and reality to allow Aspex to pursue its declaratory
5 judgment counterclaims."

6 That, I think, is where we're at right now.

7 THE COURT: All right.

8 MR. MELVIN: If there are no further questions --

9 THE COURT: Not at this moment. Thank you very much.
10 Let me first hear from Mr. Fredrickson, I guess.

11 MR. FREDRICKSON: Thank you, Your Honor. Thank you,
12 Your Honor. Eclipse respectfully requests that the Court grant
13 its motion for --

14 THE COURT: All right. Let me just stop you for one
15 second. The court reporter is fabulous, but she cannot go that
16 fast.

17 MR. FREDRICKSON: Not that fast? Understood.

18 In this case, FedEx does not argue that Eclipse's
19 actions with regard to FedEx itself give rise to an actual case
20 or controversy. FedEx' allegations regarding Eclipse's
21 enforcement action with non-parties cannot give rise to an actual
22 case in controversy for at least four reasons, Your Honor.

23 First, under *Super Sack vs. Chase Manufacturing*, the
24 federal circuit has held that a covenant not to sue eliminates
25 the existence of an actual controversy between the parties. The

1 reason for that, Your Honor, is because with no underlying cause
2 of action that Eclipse could bring against FedEx, there cannot
3 possibly be adverse legal interests as stated in MedImmune, and
4 contrary to FedEx' argument that the Supreme Court's decision in
5 MedImmune did not change the effect of a covenant not to sue. In
6 fact, Your Honor, the federal circuit has repeatedly and
7 expressly reaffirmed its precedent regarding covenants not to sue
8 in the years since MedImmune.

9 FedEx points to *Arris Group vs. British Telecomm*, but
10 in that case the patentee did not provide a covenant not to sue
11 for indirect infringement, which here, however, Eclipse has given
12 a covenant not to sue for indirect infringement to FedEx.

13 THE COURT: Well, I guess the question is the scope of
14 that covenant not to sue. Isn't that the issue?

15 MR. FREDRICKSON: Well, Your Honor, in Arris Group the
16 covenant was -- the covenant did not include a covenant not to
17 sue for indirect infringement to the actual party to the case,
18 not talking about the customers. So, Arris and the court
19 expressly held in fact that applying the standard in MedImmune,
20 there's an actual controversy between Arris and BT, the parties
21 to the case, concerning Arris' liability for at least
22 contributory infringement. There's no such controversy between
23 FedEx and Eclipse, Your Honor.

24 THE COURT: Well, there seems to be, though, because
25 your -- tell me how the covenant reaches their customers. I'm --

1 I'm not clear what you're -- what you're arguing.

2 MR. FREDRICKSON: Well, Your Honor, I can --

3 THE COURT: What your distinction is exactly based on
4 the facts here.

5 MR. FREDRICKSON: I can tell you how the covenant
6 reaches the customers, but the point is before we even talk about
7 the customers in Arris Group, the patentee didn't provide a
8 covenant that protected the defendant -- the declaratory
9 plaintiff in this suit from contributory infringement. So, it
10 was the actual party to the suit, not that party's customers that
11 the court found there is -- there is a controversy between.

12 THE COURT: All right.

13 MR. FREDRICKSON: But Eclipse has given FedEx an
14 irrevocable covenant not to sue, including for indirect
15 infringement, and that's unlike the patentee in Arris Group.

16 And second, Your Honor, FedEx points to the Supreme
17 Court's decision in a trademark case *Already vs. Nike*. That case
18 is similarly distinguishable from this situation. There Nike
19 sued Already for trademark infringement and then sought to moot
20 the case under the voluntary cessation doctrine which the Supreme
21 Court laid out in --

22 THE COURT REPORTER: I need you to repeat that, that
23 case.

24 MR. FREDRICKSON: Oh, Laidlaw Environmental Services.
25 It's actually *Friends of the Earth vs. Laidlaw*.

1 That line of cases involved mootness and the voluntary
2 cessation doctrine, which is separate and distinct from the Super
3 Sack line of cases, Your Honor.

4 So, Your Honor, the federal circuit has held that
5 without an underlying legal cause of action that the patent
6 holder could bring against the declaratory plaintiff, there
7 cannot be a case in controversy between the parties. But, even
8 assuming that FedEx' alleged duty to indemnify a customer could
9 create a case for controversy between Eclipse and FedEx,
10 Eclipse's covenant provides ample protection to FedEx customers.
11 On this issue, Your Honor, FedEx' own pleadings are instructive.

12 As FedEx noted, they've filed with the Court an
13 example -- well, what they represent is an example of
14 indemnification obligations. Now, Your Honor, that agreement in
15 Section 11(b) states, "The foregoing indemnity shall not apply to
16 any infringement claim arising from, (1), modification of the
17 application that's the FedEx product by anyone other than FedEx;
18 (2), use of the application in conjunction with developer or any
19 third-party data where use of such data gave rise to the
20 infringement claim; and, (3), use of the application with
21 software or hardware not provided by FedEx.

22 So, in other words, Your Honor, the combination
23 exception that's in Eclipse's covenant not to sue is in fact
24 narrower than the combination exception to FedEx' obligation to
25 indemnify its customers. So, Eclipse has provided a covenant

1 that essentially provides that Eclipse will not file a --

2 THE COURT: All right. Now, I think that you've got to
3 tell me where -- where am I -- tell me where the covenant is so
4 that I have it in front of me that you're referencing.

5 MR. FREDRICKSON: I will get it, Your Honor.

6 THE COURT: Because we've had a lot of things shared
7 back and forth, and I don't know if you're talking about
8 something that was sent by e-mail or something that's already in
9 the record.

10 MR. FREDRICKSON: May I approach, Your Honor?

11 THE COURT: Yes.

12 MR. FREDRICKSON: The highlighted language, Your Honor,
13 is FedEx' -- is a carve-out from FedEx' indemnification
14 liability. And the other document is Eclipse's covenant not to
15 sue.

16 THE COURT: What is proffered?

17 MR. FREDRICKSON: I'm sorry?

18 THE COURT: I'm sorry. The document with the blue
19 stickies is --

20 MR. FREDRICKSON: Yes. That is the agreement that
21 FedEx filed as Exhibit 1 to the affidavit of Jimmy Phillips.

22 THE COURT: All right. And this is the agreement they
23 have with their customers?

24 MR. FREDRICKSON: Yes. That's my understanding, Your
25 Honor.

1 THE COURT: And, then, the March 5th, 2013 letter is
2 what you've offered as the covenant; is that right?

3 MR. FREDRICKSON: Yes, Your Honor.

4 THE COURT: All right. About which there's no
5 agreement?

6 MR. FREDRICKSON: Well, Your Honor, the parties don't
7 have to agree because the case law holds that --

8 THE COURT: I'm not -- I understand that. I'm just
9 saying there's no agreement.

10 MR. FREDRICKSON: Well, yes, FedEx disagrees. Yes,
11 that's right, Your Honor.

12 THE COURT: All right. All right.

13 MR. FREDRICKSON: And you'll see, Your Honor, that the
14 carve-out to FedEx' indemnification obligation is in fact broader
15 than the combination exception that Eclipse included in its
16 covenant not to sue. Eclipse's covenant requires that the FedEx
17 customer actually practice an element of a patent claim, whereas
18 the carve-out to the FedEx indemnification obligation merely
19 requires the use of the application with any software or hardware
20 not provided by FedEx, even if that software or hardware doesn't
21 perform a step of the patent claim.

22 THE COURT: Well, what -- tell me for the non-patent
23 lawyer, what exactly does the last sentence in your letter of
24 March 5th mean when you use the language, "This covenant shall
25 not preclude a claim for patent infringement against the FedEx

1 customer where the infringement allegation includes a step or
2 element of a patent claim that is performed or implemented solely
3 by the customer or its agent"? Tell me in kind of more grounded,
4 common-sense language for those who don't live in the world of
5 patents day in day out, what does that sentence mean?

6 MR. FREDRICKSON: It means simply, Your Honor, that if
7 the FedEx customer combines the FedEx technology with technology
8 of its own to form the entire system, that that system is not
9 protected by this covenant.

10 THE COURT: All right. And would that mean if the
11 individual e-mails it to somebody else, that that is taking it --
12 that's the addition and that would make it -- basically deprive
13 them of protection?

14 MR. FREDRICKSON: If the customer is the one initiating
15 the e-mail and that e-mail infringes, then, yes, Your Honor.

16 THE COURT: All right. So, let's just -- give me an
17 example of what would be an infringement from your perspective
18 under that view and then let's do the same thing -- then we can
19 go back and look at the language in the carve-out.

20 MR. FREDRICKSON: Under our covenant not to sue, Your
21 Honor?

22 THE COURT: That's right.

23 MR. FREDRICKSON: Well, frankly, Your Honor, I'm not
24 sure that Eclipse is aware of this situation existing because --
25 and I was planning to get to this, but Eclipse has not targeted

1 the FedEx tracking links in these e-mails, has not accused them
2 of infringement. Hypothetically, Your Honor, if there's an
3 infringing notification and FedEx provided some data that the
4 customer relied on to initiate that notification, I guess that
5 would not be protected by the covenant.

6 THE COURT: All right. Just -- all right. FedEx sends
7 a link to Bed Bath & Beyond. That's their customer. Or it might
8 be that I'm the customer and I've bought something from Bed Bath
9 & Beyond. And I'm not clear about which one or whether both of
10 us are the problems or not, but -- because obviously I -- you
11 know, I bought the item on Bed Bath & Beyond and they're sending
12 the items by FedEx, so I don't know which one of us are the
13 customers at that point. But -- so let's say FedEx -- at that
14 point the Bed Bath & Beyond is because they've already charged me
15 for the bath mats I've ordered. So, are they infringing when
16 they e-mail me the link, the FedEx link? I just want to be
17 absolutely sure I understand what this -- what's involved here.

18 MR. FREDRICKSON: No, Your Honor. And that's where,
19 frankly, Eclipse is also confused, because as FedEx points out,
20 some of the -- some but not all of the patent claims include a
21 step that is something like monitoring travel data. Now, if a
22 customer has a link to look at shipment progress, we're not suing
23 the customer for infringement. It's the -- it's the retailer who
24 must be monitoring travel data in some way, and we've never
25 alleged that that data came from FedEx.

1 THE COURT: All right. So --

2 MR. FREDRICKSON: So we --

3 THE COURT: The case -- where you have made threats of
4 litigation, where -- tell me about the nature of those cases so
5 that I -- I'm just trying to really understand what this case is
6 about and what the problems are and -- about the covenant. And I
7 don't think I'm going to get it until I get -- sort of can truly
8 envision in concrete terms how does it arise. You know, what
9 happened -- what happens that cause hackles for your client?

10 MR. FREDRICKSON: Okay. Thank you, Your Honor. For
11 these five patents, Eclipse has asserted them against certain
12 types of notification communication systems, which can include
13 e-mails, and as FedEx pointed out, it can include other things.
14 Now, some of these communications --

15 THE COURT: But you just told me it doesn't involve
16 e-mails. That's why I don't understand.

17 MR. FREDRICKSON: No, I'm sorry. It involves e-mails.
18 It doesn't involve the FedEx link in the e-mail. It involves
19 other information. The e-mails typically under two of the
20 patents-in-suit contain authentication information, which is
21 information that gives the customer confidence that the e-mail
22 came from who it claims to have come from. And the other -- the
23 other patents provide for systems and methods for responding to
24 these communications and taking various actions, such as changing
25 your contact data, your e-mail address, your phone number, or

1 making a change to the order.

2 I think -- I think where the confusion is coming in is
3 that some of these communications in some of the patent claims,
4 but not all, must be based on monitoring travel data. That's one
5 of the steps in the claim that the -- in this case a FedEx
6 customer has to perform or they have to have a system that meets
7 that element.

8 THE COURT: So, what is involved in monitoring travel
9 data?

10 MR. FREDRICKSON: Well, it could be a number of things,
11 Your Honor, but it's -- in all of the cases that we're aware of,
12 it has been the customer's computers monitoring various types --
13 the FedEx customers' computers, not the retail customer,
14 monitoring certain types of information about the order. But
15 it's not necessary to provide a link to the retail customer that
16 shows them the shipment status. That's -- if it were not -- if
17 it were FedEx that was monitoring the travel data, then we
18 wouldn't have a claim for direct infringement against these
19 online retailers. So, we're alleging the online retailers
20 monitoring the travel date and the FedEx link frankly is
21 irrelevant to Eclipse.

22 THE COURT: All right. So, again, and -- let's go back
23 to the threats of litigation against the customers. In what
24 cases have the -- what are the circumstances of the cases where
25 you have threatened litigation, your client?

1 MR. FREDRICKSON: It is cases where these online
2 businesses send certain types of communications that contain
3 certain types of information and enable them -- and are able to
4 receive a response to that communication.

5 THE COURT: All right.

6 MR. FREDRICKSON: And then take some action based on
7 that response. But, Your Honor, it has not involved the FedEx
8 tracking.

9 THE COURT: It's -- let me give you -- talk with your
10 co-counsel for one minute and just talk about how you may explain
11 this to me a little bit more graphically. Pretend I'm less
12 sophisticated in technology and have never in fact even involved
13 myself in a computer transaction, which I have bought a lot of
14 things over -- online, but I -- and so -- but I really do need
15 you to explain this, not just in terms of this communication and
16 that. Give me a basic example so that I can understand what the
17 concerns of your client are, what is the additional technology
18 that you're talking about, because I feel like, you know, you're
19 endeavoring to do it, but somehow the -- the language is not
20 coming through to me. Okay?

21 MR. FREDRICKSON: Understood.

22 (A pause in the proceeding was had.)

23 MR. FREDRICKSON: If I may, Your Honor.

24 THE COURT: Yes. And I don't mean to embarrass you. I
25 think this is one of the great challenges for everyone in a

1 technical field, how to communicate to those who are not
2 completely in that technical field and to make it more
3 accessible.

4 MR. FREDRICKSON: I will give it another stab. So,
5 what we're talking about, Your Honor, is not just someone sending
6 an e-mail. These are complex computer systems the online
7 retailers use to take in certain information from the customers
8 and then send out certain information to them and in some cases
9 again receive more information. Now, for a concrete example of
10 someone who Eclipse would allege infringes one or more claims of
11 one of the patents-in-suit -- also, I guess I should point out
12 that each of these patents has multiple claims which are separate
13 inventions, so it's hard to paint it with a broad brush here.

14 THE COURT: All right. But you're giving me an
15 example, one or two examples.

16 MR. FREDRICKSON: That's -- one concrete example, if
17 you place an order online and you get an automated e-mail -- not
18 an e-mail from a person, it's automated from a system -- that
19 contains, for example, an order number that you can click on to
20 go to that web site and look at the status of your order, Eclipse
21 would allege that that infringes.

22 THE COURT: So, the -- the capacity to click on the --
23 on the shipment orders in the -- because it -- other than to give
24 you the number -- it's not the transmittal that -- of the link.
25 It's the actual -- the fact that it is a link that -- and it

1 provides information as to the location that it's now in Chicago
2 on a truck coming to Atlanta?

3 MR. FREDRICKSON: Well, no, Your Honor. Two points.
4 First of all, it is the transmittal and the providing of the
5 information, because they are multiple -- they are different
6 steps in the same patent claim that must be satisfied.

7 THE COURT: But I thought you told me before that
8 e-mail wasn't the problem.

9 MR. FREDRICKSON: No. Eclipse alleges that certain
10 types of automated e-mails infringe the patents-in-suit.

11 THE COURT: All right. Which ones do and which ones
12 don't?

13 MR. FREDRICKSON: Well, it's hard to say given all the
14 claims in the patents, but given -- but one example is if it
15 provides an order number that you were previously provided so
16 that you know, yeah, this is my order, this is legitimate,
17 someone isn't trying to spam me.

18 And to your other point, Your Honor, it is not that it
19 provides the customer the location of the shipment. I -- that
20 has been irrelevant to Eclipse's lawsuits.

21 THE COURT: Oh, I thought you were saying that the
22 monitor -- travel monitoring was what the problem was before.

23 MR. FREDRICKSON: Well, I think that's where the
24 misunderstanding is between the parties. But Eclipse has not
25 alleged that monitoring the actual shipment, once it's in the

1 carrier's possession, is what infringes.

2 THE COURT: What is it that infringes?

3 MR. FREDRICKSON: Well, as one of the steps of a claim
4 that has that limitation, monitoring travel data, it would be
5 information that the retailer has about the status of that order.
6 And in most -- before we file a suit, it's hard to say where that
7 information would come from, and that's why Eclipse isn't going
8 to give a covenant that broadly prevents Eclipse from suing any
9 FedEx customer for basically any reason.

10 THE COURT: Okay. All right. So let's go and look --
11 you were making a point about what -- why your letter was --
12 provided more protection than was really needed even because the
13 indemnification agreement that FedEx had with its customers was
14 so broad itself that it was protected.

15 MR. FREDRICKSON: That's right. The exception to --

16 THE COURT: All right. So let's look at the
17 indemnification agreement that they have and tell me again now
18 what you're focused on and then we'll -- all right?

19 MR. FREDRICKSON: Sure. Where it begins, Your Honor,
20 "The foregoing to indemnity shall not apply to any infringement
21 claim arising from," and then frankly we can skip right to number
22 (iii) because I think that's the broadest.

23 THE COURT: Okay.

24 MR. FREDERICKSON: And it is use of the application
25 with software or hardware not provided by FedEx.

1 Now, if a customer performs a step or practices an
2 element under Eclipse's covenant not to sue, they have to be
3 using additional software or hardware. So, it's not possible for
4 Eclipse to make a claim under that covenant not to sue that
5 doesn't also fall under this exception to FedEx' indemnification
6 obligation.

7 THE COURT: Well, maybe we should talk about that
8 assertion a little bit more and then let me hear some -- so --
9 from the -- again, from the defendants, unless you have something
10 significantly that we haven't covered.

11 As I understood what you were just saying about the
12 extra steps, basically almost anything could be an extra step.
13 So, if I were looking at this and I'm the customer, or frankly
14 I'm FedEx and I'm looking at Roman Numeral (iii), use of the
15 application with software or hardware not provided by FedEx, but
16 FedEx -- including develop a product. But FedEx has the right to
17 send -- send the -- the link for -- that comes from the
18 application; right, or not?

19 MR. FREDRICKSON: I'm sorry. I'm not sure --

20 THE COURT: What do you think -- tell me again, tell me
21 what you think FedEx at this point has the right to do with the
22 information that it has -- it sends out information to the
23 customer saying the order has been transmitted. What -- what do
24 they have absolutely the right to do? I want to be just as
25 crystal clear about that in my mind as possible.

1 MR. FREDRICKSON: So let me make sure I understand the
2 question, Your Honor. Are you asking me what FedEx has the right
3 to do without Eclipse filing a suit against the FedEx customer?

4 THE COURT: Right. Exactly.

5 MR. FREDRICKSON: FedEx has the right to provide this
6 technology to those customers at however it wants. It's if the
7 customer performs additional steps, if the customer combines it
8 with additional software or hardware, that Eclipse may still have
9 a claim.

10 THE COURT: But the additional software/hardware in
11 fact might be an e-mail or it might just be clicking the link so
12 that it sort of gives them information as to where this -- the
13 status of the -- the transportation of the -- of the product?

14 MR. FREDRICKSON: Yes, I believe so, Your Honor.

15 THE COURT: All right. All right.

16 MR. FREDRICKSON: And the point is that if one of these
17 customers cannot perform or practice an element of the patent
18 claim without using software or hardware not provided by FedEx.

19 THE COURT: All right.

20 MR. FREDRICKSON: And lastly, Your Honor, I'm not sure
21 how much time I have left, but all of this, frankly, may be a
22 moot point because FedEx has not even alleged that in fact it is
23 obligated to indemnify these customers. They've used vague
24 language like they may have liability under agreements or
25 customers have contacted them inquiring about indemnification.

1 And, so, Your Honor, I don't think that is a definite and
2 concrete dispute touching the legal interests of these parties.

3 And lastly, Your Honor, FedEx' conclusory allegations
4 that upon information and belief Eclipse has targeted FedEx
5 technology with its enforcement efforts is contradicted by the
6 exhibits to its own complaint which include three of Eclipse's
7 infringement notice letters. And each of those letters -- the
8 first letter doesn't -- doesn't specifically identify infringing
9 functionality and the second two identify infringing
10 functionality that is clearly not provided by FedEx. And, Your
11 Honor, the Eleventh Circuit has held that where a party's
12 exhibits contradict its general and conclusory allegations in the
13 pleading, the exhibits govern.

14 THE COURT: All right. What -- what is it in
15 particular about the exhibits that you're saying is
16 contradictory?

17 MR. FREDRICKSON: Your Honor, Exhibits F, G and H
18 are -- are infringement notice letters from Eclipse. The first
19 letter, Exhibit F, is to Bass Pro Shops, and the section that
20 describes the infringing functionality simply does not mention
21 FedEx.

22 And Exhibit G, a letter to BrickHouse Security, more
23 specifically identifies the infringing functionality, but -- at
24 least the link that gives Eclipse evidence of infringing
25 functionality, and that link is a link to BrickHouse Security's

1 own online store, not to FedEx' web site.

2 And that's the same situation with Exhibit H, a letter
3 to -- to 1st in Video-Music World. And that letter specifically
4 identifies links to that merchant's own web site and to the
5 United States Postal Service. And, Your Honor, the Eleventh
6 Circuit has held that where these exhibits contradict FedEx'
7 conclusory allegations in its pleadings, the exhibits govern.

8 THE COURT: I have a few questions -- do you have
9 anything more you want to cover?

10 MR. FREDRICKSON: If there are no further questions,
11 Your Honor, I do not.

12 THE COURT: All right. I had a few questions, which
13 was what if the e-mail sent by the customer infringes because of
14 the technology that FedEx provided?

15 MR. FREDRICKSON: Well, it's difficult to know. You
16 mean by infringes, because of the technology FedEx provided. If
17 the purpose of this covenant is that if the customer has taken
18 the FedEx technology and combined it with its own technology to
19 form a cohesive system, then the -- Eclipse can still sue for
20 that system for infringement.

21 THE COURT: But essentially if the customer uses the
22 FedEx technology as it's intended, as sort of an instrument of
23 commerce, the merchant would face a threat of patent
24 infringement, wouldn't it, because it's really -- it's a
25 notification system and, therefore, by the very fact that it

1 actively uses the link, that would essentially result in -- under
2 your view would be a violation of the -- of your patent rights?

3 MR. FREDRICKSON: Well, Your Honor, again, I would like
4 to point out that Eclipse has not alleged that the FedEx tracking
5 link constitutes evidence of infringement. But to your point,
6 even if we say that hypothetically it does, how -- how that --
7 that system is intended to be used by FedEx is not relevant
8 because Eclipse has given FedEx a covenant not to sue, including
9 for induced infringement. So, even if FedEx expressly says that
10 it intends this service to be used to infringe the Eclipse
11 patents, Eclipse has no recourse. There's still no dispute
12 between Eclipse and FedEx.

13 THE COURT: How would the customer use the technology
14 that FedEx provides it except as basically in combination with
15 its own software? I'm not quite sure. What would be the -- how
16 would they use it? Just tell me, what's the purest statement of
17 how they would use it?

18 MR. FREDRICKSON: Well, Your Honor, I think that's
19 exactly the point, because we're talking about these FedEx
20 tracking links that FedEx has brought up, but that is not
21 Eclipse's concern here. Eclipse has not alleged that those
22 infringe the patents. Instead, Eclipse is merely concerned about
23 any other technology that FedEx may have that is incorporating to
24 a system that Eclipse isn't aware of.

25 THE COURT: All right. I'm just trying to figure out

1 if they send me the link, back to that again, what else would one
2 use -- one doesn't just look at a link. One -- it's going to be
3 used in combination with something else. If Bed Bath & Beyond
4 wants to send me the link, they're going to -- by -- you know, I
5 guess it would be natural that they would be combining it with
6 something else. I'm trying to think about any circumstance that
7 wouldn't be combined with the -- with Bed Bath & Beyond's own
8 software in some way. Can you -- if you can tell me, that would
9 help clarify things.

10 MR. FREDRICKSON: No, I don't think so, Your Honor, for
11 this type of -- for this package tracking link. But, again,
12 that's not what Eclipse is alleging infringes the patent. It
13 would be if Eclipse -- if FedEx is providing some other service
14 and Eclipse isn't privy to all of FedEx' technology that is
15 incorporated into a system, Eclipse just can't give away that
16 covenant blindly.

17 THE COURT: All right. All right. Thank you very
18 much.

19 I'm going to hear from defendant's counsel, but I'm
20 going to take a 5 minute break. All right?

21 MR. MELVIN: Yes, Your Honor.

22 (A recess was had.)

23 THE COURT: Please have a seat.

24 Okay. Mr. Melvin, what do you say about this
25 indemnification agreement that you -- that FedEx uses? It does

1 seem very broad.

2 MR. MELVIN: Well, Your Honor, I would note that under
3 the case law, there's no requirement that the Court construe a
4 contract between a customer, a supplier and its customers, in
5 order to establish that there is customer liability jurisdiction.
6 That's point number one.

7 And point number two, that the agreement that Eclipse
8 is pointing to is actually only one of two agreements that FedEx
9 provided as examples of the many. Exhibit 2 to the same
10 declaration of Jimmy Phillips contains language that FedEx
11 represents it shall provide the services omission so as not to
12 infringe any patent. There is no exclusionary language in this
13 other agreement. And I think that these two agreements
14 illustrate the range of --

15 THE COURT: And do you use other ones as well with
16 other customers?

17 MR. MELVIN: That's absolutely true. FedEx -- it's my
18 understanding at least that FedEx negotiates each of these
19 agreements individually. There's not a consistent forum that --

20 THE COURT: And is there always an indemnification
21 agreement of some sort or not?

22 MR. MELVIN: Well, no, Your Honor, because any
23 individual could ship a package with FedEx and receive many of
24 the same information services from FedEx. It's my understanding
25 that certain large customers receive different grades of service

1 and/or different -- you know, perhaps different services, but --
2 but --

3 THE COURT: Let me ask you this sort of concrete
4 question as well. In reality, is your software, when you --
5 intended to be used by the customers in conjunction with their
6 own software?

7 MR. MELVIN: Absolutely, Your Honor. What FedEx
8 provides in some cases is software itself. What FedEx provides
9 in other cases is just data or information about shipments. And,
10 so, customers can use their own systems to access FedEx systems
11 and obtain data about packages. And they may also -- there are
12 some certain FedEx systems that are in place at customers, and so
13 it covers both styles of communication.

14 THE COURT: But generally speaking, you have the
15 expectation, or FedEx has the expectation, that there will be
16 some interactivity between the customer's software --

17 MR. MELVIN: Absolutely, Your Honor.

18 THE COURT: -- and that of what -- the software that
19 you're basically relaying the tracking information?

20 MR. MELVIN: Yes, Your Honor. That's absolutely
21 correct.

22 THE COURT: Now, Mr. Phillips' affidavit in paragraph
23 10 says that Macy's specifically requested indemnification for
24 any liability stemming from Eclipse's claims for patent
25 infringement.

1 MR. MELVIN: Yes, Your Honor.

2 THE COURT: Do you happen to have any knowledge about
3 whether it was -- the Macy's situation arose with this -- the use
4 of the language in the patent -- a Section 11 indemnification
5 language that was provided by Mr. Fredrickson or was it -- or do
6 you know?

7 MR. MELVIN: Well, Your Honor, I believe that that
8 agreement with the Section 11 is not an agreement with Macy's,
9 but in fact the other agreement that I just referred Your Honor
10 to, Exhibit 2, is in fact an agreement with Macy's.

11 THE COURT: All right. So, you would point, then --
12 and probably should point if you're proceeding in this, if I
13 allow you to proceed in this complaint -- in your complaint to
14 Macy's as a customer who has been expressly threatened with suit
15 by Eclipse and where you would be -- end up being on the hook
16 through the indemnification arrangement?

17 MR. MELVIN: Well, it is true, Your Honor, that we have
18 identified specifically Macy's as one customer. I would contend
19 that FedEx need only identify one customer, but that of course
20 does not preclude the fact that there are other customers --

21 THE COURT: But you have at least one customer --

22 MR. MELVIN: That's correct.

23 THE COURT: -- where in fact you're not -- don't have
24 the protection of such a broad agreement as the one that Mr.
25 Fredrickson pointed out?

1 MR. MELVIN: Well --

2 THE COURT: And we'll discuss --

3 MR. MELVIN: -- FedEx does not agree with Eclipse's
4 characterization of that agreement and --

5 THE COURT: All right. All right.

6 MR. MELVIN: -- believes resolving any such factual
7 dispute at this stage would be improper. But it is true that we
8 do have one actual customer who's actually been threatened or
9 sued by Eclipse and has an actual agreement with FedEx that has
10 broad indemnification language in the service agreement. That is
11 correct.

12 THE COURT: Okay. It's the other indemnification
13 agreement?

14 MR. MELVIN: That's right. I think it may be more
15 proper to call this service agreement --

16 THE COURT: Service agreement.

17 MR. MELVIN: With a warranty covenant or
18 indemnification clause.

19 THE COURT: For purposes of the record, would you mind
20 just identifying what the documents is that you're saying --

21 MR. MELVIN: May I approach, Your Honor?

22 THE COURT: Yes.

23 MR. MELVIN: I apologize I only have one copy, but
24 that --

25 THE COURT: That's all right. I just wanted -- if we

1 go back, we can then refer to it.

2 MR. MELVIN: Absolutely. It's Exhibit 2 to the
3 declaration.

4 THE COURT: Declaration of Jimmy Phillips, Exhibit 2.
5 All right.

6 MR. MELVIN: That's right.

7 And if I may, Your Honor, I think a big problem here --

8 THE COURT: Why don't you let me just read this myself
9 first; all right?

10 MR. MELVIN: Yes.

11 (A pause in the proceeding was had.)

12 THE COURT: And where in this -- in Exhibit 2 does it
13 tell me precisely where you are -- FedEx is commenting that it
14 would indemnify the customer in the event they were sued?

15 MR. MELVIN: Well, I mean, I think the language is just
16 that FedEx shall provide its services so as not to infringe any
17 patent --

18 THE COURT: All right.

19 MR. MELVIN: -- and that contains, you know --

20 THE COURT: Inherent in it?

21 MR. MELVIN: That establishes the legal relationship
22 between --

23 THE COURT: All right. All right.

24 MR. MELVIN: -- FedEx.

25 May I address two other points?

1 THE COURT: Yes.

2 MR. MELVIN: Okay. I think a problem arises in the
3 uncertainty of what Eclipse is accusing. Eclipse just told the
4 Court that it is not accusing an e-mail containing a link to a
5 FedEx -- a FedEx tracking link, and that the exhibits to FedEx'
6 complaint contain no such e-mail. But, in fact, the recent
7 e-mail exchange that we had with Your Honor attached -- and this
8 is Exhibit G, page 5 of the exhibit, is an e-mail from BrickHouse
9 Security to one of its end-user customers and it contains a FedEx
10 tracking e-mail. And this printout was part of Eclipse's threat
11 of infringement against BrickHouse Security. So, for Eclipse to
12 tell the Court that it is not accusing this is a little bit
13 confusing, frankly.

14 Another thing that Eclipse stated was that an order
15 status link would be distinguished from a tracking link in an
16 e-mail. And I believe the distinction was that the order status
17 link would come from the retail shipping provider such as Macy's,
18 whereas the tracking link would come from FedEx. And I don't
19 believe there's any reasoned basis for such a distinction, and I
20 certainly didn't hear Eclipse explain one.

21 Another distinction that Eclipse made was that between
22 links and data. Both links and data are provided by FedEx.
23 Links, of course, are a type of data. They're considered a --
24 it's called a uniform resource locator, and it points a web
25 browser to a particular location on the Internet. But the fact

1 that FedEx provides other data simply supports jurisdiction here.

2 I think those -- those are the points that are probably
3 most important. I guess I've already talked about FedEx'
4 agreements. And just in closing, we've seen again that the
5 appropriate covenant must eliminate the legal relationship
6 between FedEx and its customers, and they simply haven't done
7 that.

8 So, if the Court has no further questions --

9 THE COURT: Okay.

10 MR. MELVIN: -- we thank you.

11 THE COURT: Thank you.

12 MR. FREDRICKSON: Your Honor, as Movant, may Eclipse
13 have the last word?

14 THE COURT: Yes.

15 MR. FREDRICKSON: Thank you.

16 THE COURT: Be brief, though.

17 MR. FREDRICKSON: I will be. Your Honor, under Exhibit
18 2, that agreement in fact expressly provides that FedEx is not
19 obligated to indemnify Macy's, but under the representation that
20 FedEx points to that FedEx shall provide services so as not to
21 infringe, Eclipse -- under Eclipse's covenant not to sue, it
22 cannot base a claim on the services as provided by FedEx. It can
23 only base a claim --

24 THE COURT: I'm sorry. You're going to have to go
25 slower.

1 MR. FREDRICKSON: I'm sorry, Your Honor.

2 THE COURT: You can come up here also because you're
3 quiet enough. Come up, stand up, come over here and go slower.

4 MR. FREDRICKSON: Okay, Your Honor. In Exhibit 2, the
5 agreement with Macy's, FedEx represents that it shall provide
6 services so as not to infringe any patent, while under Eclipse's
7 covenant not to sue, Eclipse cannot base a claim on the services
8 as provided by FedEx. This is exactly the distinction we were
9 discussing earlier. Eclipse can only base a claim on a system
10 that uses the customer's own technology such that it creates a
11 new and different product. The services as -- as provided by
12 FedEx are protected by Eclipse's covenant not to sue. And,
13 again, that -- that agreement expressly provides that there's no
14 indemnification liability for FedEx.

15 Now, Your Honor, you asked FedEx and FedEx has said
16 that they expect customers to use the FedEx services in
17 combination with their own software, and there's nothing wrong
18 with that, Your Honor. As an initial matter, that doesn't mean
19 that this Court has jurisdiction over this case. But as a second
20 point, those customers -- even if we expect them to use the FedEx
21 services with their own software, they don't have to use software
22 that infringes valid patents just to use FedEx services.

23 So, it's sort of a red herring to say that they expect
24 the FedEx services to be used with the additional software.
25 That -- they don't have to use additional software that infringes

1 Eclipse's patents.

2 THE COURT: But it seemed from our discussion, Mr.
3 Fredrickson, that there were a broad range of activities. Almost
4 any use of the information that FedEx transmits would potentially
5 violate your patent.

6 MR. FREDRICKSON: I'm sorry if I was unclear, Your
7 Honor. I don't think that that's the case.

8 THE COURT: Well, I kept on trying to elicit
9 information that would tell me when it wouldn't, and basically it
10 seemed like ultimately Eclipse's position is that you can --
11 FedEx can send the information, but the customer can't do
12 anything with it, because to do anything with it was likely going
13 to potentially trigger a violation of your rights because it
14 apparently will touch on a number of the application processes
15 or -- that you have patented according to -- at least according
16 to your view.

17 MR. FREDRICKSON: Oh. Well, Your Honor, what I was
18 discussing was an e-mail from the FedEx customer, any kind of
19 communication that otherwise infringes, if it's -- if it contains
20 FedEx technology, it still infringes under this covenant not to
21 sue, even if it -- so if the communication infringes absent the
22 FedEx information, once they add the FedEx information, it's
23 still going to infringe. But not all e-mail communications
24 infringe Eclipse's patent, Your Honor.

25 THE COURT: Well, what wouldn't?

1 MR. FREDRICKSON: If -- frankly, Your Honor, it's hard
2 to say under the -- I think we're talking about well over a
3 hundred patent claims on different inventions here and Eclipse
4 doesn't frankly know which ones FedEx thinks are invalid. I
5 mean, FedEx sued Eclipse, and we're not sure which claims we're
6 talking about here.

7 THE COURT: All right. Well, and I understand that.
8 But I'm just trying to understand what type -- once FedEx sends
9 its information to a customer, tell me a situation, again, where
10 the customer wouldn't likely end up violating one of their pat --
11 one of your patents if it -- except for basically -- if they
12 receive it, that's one thing. But if they in any way transmit
13 the information or actively use it, it appears like that that's
14 going to result in a violation of one of these 100 patents.

15 MR. FREDRICKSON: Well, Your Honor, we're only talking
16 about individual steps or elements of patent claims. There are
17 additional elements that the customer still must perform. So,
18 the customer can send an e-mail with FedEx information, but if it
19 doesn't meet the other steps of the patent claim, it still
20 doesn't infringe.

21 THE COURT: So, again, can you give me a concrete
22 example of when that would not be infringement in that situation,
23 because I've asked you this in a variety of forms, so I'm once
24 again just trying once -- another stab at it.

25 MR. FREDRICKSON: And I'm sorry, Your Honor. The

1 reason it's difficult is because it depends on which patent claim
2 we're talking about, and we don't know frankly which ones FedEx
3 is talking about.

4 THE COURT: Well, let's just talk about some --
5 whatever -- I mean, I obviously don't know which of the patents
6 are involved here for each one of these, but let's talk about
7 what -- one of the ones that you think is a primary one, that is
8 a -- one of the more crucial ones.

9 MR. FREDRICKSON: Well, Your Honor, for example, just
10 forwarding an e-mail for FedEx would not infringe. It is the
11 customer's own system that -- that communicates automated
12 notifications that has to be at play here. So, if they're just
13 forwarding information from FedEx, that in itself can't infringe,
14 or at least we haven't alleged that it infringes.

15 THE COURT: All right. And if there is an automatic
16 generation, though, that would infringe?

17 MR. FREDRICKSON: Not necessarily, but that's a
18 prerequisite, Your Honor.

19 THE COURT: All right. So what would be the next step
20 necessary for it to become an infringement?

21 MR. FREDRICKSON: Again, I'm sorry, but it depends on
22 which patent and which claim.

23 THE COURT: All right. All right.

24 MR. FREDRICKSON: If I may, Your Honor, the -- the last
25 point is FedEx pointed to Exhibit G, which -- that's the letter

1 from Eclipse which contains an e-mail that in fact has a FedEx
2 tracking link. But this is a perfect description of what I've
3 been trying to convey, which is this e-mail contains a FedEx
4 tracking link, but on page 6 of the exhibit, Eclipse specifically
5 identifies the portions of the e-mail that give evidence of
6 infringement and Eclipse specifically identifies Internet links
7 that are not to FedEx' web site. And that is for three patents,
8 Your Honor, and then the remaining two don't identify any links.

9 THE COURT: And the other two what?

10 MR. FREDRICKSON: Don't identify any Internet links.

11 THE COURT: All right. Thank you very much.

12 MR. FREDRICKSON: Thank you.

13 THE COURT: All right. Well, this has been helpful. I
14 appreciate your coming and chatting with me about this. We'll
15 try to get an order out in the next week on this. And I don't
16 think that we need anything more at this juncture.

17 MR. MELVIN: Your Honor, about the schedule, the
18 parties in the joint submission requested that the Court stay all
19 of the various discovery deadlines, but --

20 THE COURT: Well, under the local rules, while there's
21 a Motion to Dismiss pending, they are anyway, for all intents and
22 purposes, so --

23 MR. MELVIN: Okay.

24 THE COURT: But we will rule in a week, so they're
25 stayed until we rule. And if it's next week or the following

1 week, but something like that, and we'll give you direction at
2 that point, depending on what the ruling is.

3 MR. MELVIN: Thank you, Your Honor.

4 THE COURT: All right? Thank you very much. I
5 appreciate it.

6 (End of proceedings.)

7 * * * * *

8 UNITED STATES DISTRICT COURT

9 NORTHERN DISTRICT OF GEORGIA

10 CERTIFICATE OF REPORTER

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12
13 I do hereby certify that the foregoing pages are a true
14 and correct transcript of the proceedings taken down by me in the
15 case aforesaid.

16 This the 24th day of May, 2013.

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20 ELISE SMITH EVANS, RMR, CRR
21 OFFICIAL COURT REPORTER
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ELISE SMITH EVANS, RMR, CRR